WASHINGTON (February 1) – Congressman Spencer Bachus (AL-6) said a new housing plan announced today by President Obama could lead to more risky loans being made and set a key federal housing agency up for a taxpayer bailout.

Bachus was quoted today in an article on the Wall Street Journal online edition on his reaction to the President’s proposal.

New Obama Housing Plan Not Winning Republican Fans

Wall Street Journal Online, February 1, 2012

There was a lot of criticism on Capitol Hill Wednesday to President Barack Obama’s latest housing proposals, an indication that the effort faces steep odds of being enacted.

Republicans were quick in their denunciations.

“This is not a serious plan to help the nation’s housing market,” Rep. Spencer Bachus (R., Ala.), the chairman of the House Financial Services Committee, said in a statement. “This is just more of the same from an administration that offers expensive program after expensive program, none of which have worked to help struggling homeowners.”

House Speaker John Boehner (R., Ohio) told reporters that “none of these programs have worked… I don’t know why anyone would think that this next idea is going to work.”

Obama administration officials are proposing to expand the authority of the Federal Housing Administration, a government-run mortgage insurer, so it can refinance loans for up to 3.5 million new borrowers.

That's on top of 11 million borrowers who could benefit from the existing program for borrowers with loans backed by Fannie Mae and Freddie Mac, the government-controlled mortgage finance companies.

The administration's plan would require Congress to allow the FHA to insure loans for borrowers who owe more on their loans than their properties are worth—something that the agency is not currently allowed to do. That idea didn't sit well with Republican lawmakers, who pointed out that the FHA is financially troubled and could be on the verge of a bailout.

With the FHA on "a collision course with bankruptcy, it is unconscionable for the president to even consider a proposal that would make a disastrous situation worse," said Rep. Scott Garrett (R., N.J.) a top Republican on the financial services panel.

However, Housing and Urban Development Secretary Shaun Donovan said the FHA would be protected in several ways, most notably by imposing a fee on banks to help cover the program's $5 billion to $10 billion cost.

Mr. Donovan predicted that the bill would garner bipartisan support in Congress because the program is targeted at people who have been keeping up with their mortgage payments, not delinquent homeowners. "I think you will see broad support across the political spectrum to do this," he told reporters at a White House briefing.

Mr. Donovan also said that the FHA's main insurance fund would be walled off and wouldn't be threatened by the new refinancing program, which would be paid for by a tax on banks.

However, Mr. Donovan said "we are open to having a discussion with Congress" about finding a different way to pay for the program, but added it must include a commitment of some form from banks.

Frank Keating, chief executive of the American Bankers Association, said the bank tax would reduce banks' ability to lend. Mr. Keating cautioned that "uncoordinated and ever-changing government programs, including those detailed today, create uncertainty in the market, increase the cost of home ownership, and reduce credit availability needed to support home ownership and the economic recovery."

The new housing proposals may allow Obama and other Democrats to establish contrasts with Republicans in the run up to November's elections. Sen. Barbara Boxer (D., Calif.), applauded the move, saying that that Obama "understands clearly that for the economy to recover fully, the housing crisis must be resolved."

Starting shortly after taking office in 2009, Obama announced a series of programs that were designed to help the troubled housing market turn around, an effort initially estimated to cost $75 billion.

However, only about $3 billion has been spent on the administration's housing programs as of the end of last year. That total is projected to grow to about $8.6 billion by 2017, based on the number of borrowers who are currently enrolled, according to the Treasury Department. However, recent changes to the housing programs could mean more borrowers will sign up, and therefore more money will be spent.